

# ***NEWS RELEASE***

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***OFFICE OF THE UNITED STATES ATTORNEY  
SOUTHERN DISTRICT OF CALIFORNIA  
San Diego, California***

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***For Immediate Release***

**NEWS RELEASE SUMMARY - September 5, 2006**

United States Attorney Carol C. Lam announced that Michael Danny Whitt, formerly an owner of Barnhill Associates, Inc. ("Barnhill") of Colorado, and later an employee of Peregrine Systems, Inc. ("Peregrine"), pled guilty today in federal court in San Diego before United States District Court Judge Thomas J. Whelan to one count of obstructing an investigation conducted by the U.S. Securities and Exchange Commission ("SEC") into Peregrine and its dealings with Barnhill.

According to Assistant U.S. Attorneys Eric J. Beste and Sanjay Bhandari, who prosecuted the case, this is the eighth felony guilty plea in the government's investigation and prosecution of a multi-billion dollar securities fraud at Peregrine, a business software company formerly headquartered in San Diego, California.

In connection with his guilty plea, Whitt admitted that on two occasions in 2003 and 2004 he provided false and misleading testimony to the SEC during that agency's investigation of Peregrine. Specifically, Whitt testified before the SEC that he did not know about "finder's fees" invoices sent by Barnhill to Peregrine, and he questioned the authenticity of his signature on certain contracts between Peregrine and

Barnhill dated between March 1999 and March 2000. Whitt admitted at today's hearing that, in fact, he had signed these contracts, which falsely purported to bind Barnhill to pay more than \$10 million for Peregrine software. Whitt and co-defendant Douglas Steven Powanda (who has previously pled guilty) agreed that these contracts would be subject to several unwritten contingencies and promises that would not be disclosed to investors, including the understanding that Barnhill would only have to pay for software that it was able to resell to third-parties, and that Peregrine would pay Barnhill an extra 5% fee (falsely invoiced by Barnhill as a "finder's fee") in exchange for Whitt's signature on these bogus contracts. In addition, Whitt admitted that he knew some of these contracts were backdated to make it appear as if these deals had closed in prior fiscal quarters, and that Powanda or others at Peregrine would use these backdated and incomplete sales to inaccurately report Peregrine's true quarterly sales.

United States Attorney Lam stated, "Everyone should remember the adage: 'The cover-up is often worse than the original crime.' In this case, Mr. Whitt signed false contracts and otherwise assisted corrupt Peregrine executives with a massive securities fraud. But he made things worse for himself by later giving false and misleading testimony to SEC investigators."

Whitt is scheduled to appear before Judge Whelan on January 8, 2007, at 9:00 a.m. for sentencing. Trial against the remaining nine defendants is scheduled to commence on April 3, 2007.

The case is the result of an investigation by the Federal Bureau of Investigation, San Diego Division, working cooperatively with a parallel civil investigation of the U.S. Securities and Exchange Commission, Division of Enforcement.

**DEFENDANT**                      **CASE NO. 04CR2605-W**

Michael Danny Whitt

**SUMMARY OF CHARGES AND MAXIMUM PENALTIES**

Count 47:        Obstruction of Justice - Title 18, United States Code, Section 1505  
                         Maximum penalty: 5 years' imprisonment, \$250,000 fine

**INVESTIGATING AGENCIES**

Federal Bureau of Investigation

